This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 ANKARA 007318

SIPDIS

SENSITIVE

STATE FOR E, EB/IFD, AND EUR/SE
TREASURY FOR OASIA - JLEICHTER AND MMILLS
NSC FOR MBRYZA AND TMCKIBBEN

E.O. 12958: N/A
TAGS: EFIN EIND ECON PGOV TU
SUBJECT: MEETING WITH PRIVATIZATION AUTHORITY OFFICIAL

REF: ANKARA 7052

¶1. (SBU) Summary: Privatization Authority (PA) Vice President
Ayhan Sarisu told emboffs that the PA intended to retender
Tekel,s tobacco operations sometime early next year, and
dismissed as baseless a lawsuit brought by a union to block
the sale of Tekel,s alcohol operations. End Summary.

TEKEL

¶2. (SBU)   Econoff and Econ Specialist met November 21 with
Ayhan Sarisu, who is responsible for the Tekel privatization
process. Sarisu denied recent local press reports that the
GOT had decided to adopt a new strategy for Tekel,s tobacco
operations, under which each cigarette brand will be sold
separately. Sarisu said that such an approach was unworkable,
in that it would take more than two years. Sarisu also
rejected press reports that the PA would set a minimum price,
stating that this would be illegal and in any event
unnecessary, since &everyone knows what the minimum is.8
Sarisu further admitted that he could not predict whether new
bids would be any higher than those already rejected.

¶3. (SBU)   Sarisu described as &partially correct8 a
recent Financial Times article which claimed that lack of
financial information on Tekel was one of the critical
factors in the low bids. Sarisu claimed that bidders received
all historical information requested. However, some bidders
were unhappy with Tekel,s financial statements, since they
were audited in accordance with Turkish rules, and not
international standards, and requested new financial
statements to be prepared in accordance with international
standards. The PA was unable to provide such statements,
according to Sarisu,because it would have taken six months
just to tender for the auditors.

¶4. (SBU)   Separately, a union representing Tekel workers
recently filed suit, and obtained a court stay, against the
sale of Tekel,s alcohol operations (reftel). Sarisu
described the suit as &absolute garbage8 and a form of
blackmail. He said that the stay would be appealed
immediately, and is confident it will be overturned.

PETKIM/TUPRAS

¶5. (SBU)   According to Sarisu, the Tupras sale is expected
to conclude by year end. Accordingly, the Petkim bidding
deadline has been extended from 18 November 2003 to 30
January 2004, so that Petkim bidders can know the identity of
Tupras, purchaser (see reftel).

TURK TELEKOM

¶6. (SBU) Though he is not responsible for the Turk Telekom
privatization, Sarisu does not believe that the &golden
share8 to be retained by the State will materially adversely
affect the sale price. Sarisu noted that the GOT did not
intend to utilize its position to influence operations, but
merely to have access to management information. Sarisu
further noted that in other (unidentified) sales the PA was
willing to cancel the golden share, and could do so for Turk
Telekom, without parliamentary approval. Sarisu assured

Econoff that the PA would work with bidders to allay any
concerns they might have about the golden share.

HIDAYET KAYA

¶7. (SBU) Kaya, the only remaining PA Vice President appointed
by the former government, was fired November 19. Sarisu said
there was no hint of scandal surrounding Kaya,s activities.
Rather, Kaya had been criticized by the Prime Minister,s
Inspection Board for &procedural problems8 in connection
with his supervision of the Tofas and Tekel privatizations.
(Sarisu had subsequently been given responsibility for
Tekel.) Sarisu stated that Kaya,s replacement should be
named &very soon.8 Comment: The removal of Kaya, right
after the political embarrassment of the failed Tekel tobacco
tender, provides another example of the GOT,s responding to
adverse events by replacing officials held over from the
Ecevit Government.
EDELMAN